

TOWN OF DAVIE TOWN COUNCIL AGENDA REPORT

AGENDA DATE: February 02, 2005

TO: Mayor and Councilmembers

VIA: Christopher Kovanes, Interim Town Administrator

FROM/PHONE: Mark Alan, Director of Human Resources Management (954) 797-1169
William Underwood, Director of Budget and Finance (954) 797-1053

SUBJECT: A Resolution of the Town of Davie, Florida, authorizing funding group medical and employee assistance program (EAP) benefits at a level less than the Maximum Liability level; providing for severability; and providing an effective date.

AFFECTED DISTRICT: Not Applicable

TITLE OF AGENDA ITEM:

A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, AUTHORIZING FUNDING GROUP MEDICAL AND EMPLOYEE ASSISTANCE PROGRAM (EAP) BENEFITS AT A LEVEL LESS THAN THE MAXIMUM LIABILITY LEVEL; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

REPORT IN BRIEF:

The adoption of this resolution is necessary in order to implement a 2005 Health Care Plans Premium Contributions Structure proposed by Sapoznik Insurance & Associates, Inc., the Town's Agent of Record for our group health plan. The proposed funding plan represents a less than 20% increase in employee contributions rather than the initially proposed increase of greater than 40%, reducing biweekly EPO (HMO) Family Benefit employee contributions from \$206.79 (at the Maximum Liability Level) to \$175.00 and biweekly PPO Family Benefit employee contributions from \$314.41 (at the Maximum Liability level) to \$266.68.

On May 15, 2002, Town Council adopted Resolution No. R-2002-119, a copy of which is hereto attached as Exhibit "A". Said Resolution accepted UnitedHealthcare (UHC) as the Town's provider of medical and Employee Assistance Program (EAP) benefits, and funded the plan at the Maximum Liability level.

On November 12, 2004, Sapoznik Insurance & Associates, Inc. was reinstated as the Town's Agent of Record for our group health plan. Sapoznik Insurance's proposed funding plan reduces employee contributions as indicated above and lowers the increase in employee contributions from 40% by 21% to 19%. Due to provisions of current collective bargaining agreement (CBAs), the Town's premium contribution for the Dependent portion of Family benefits must be 50%. The proposed plan includes Town premium contributions for the Dependent portion of the EPO (HMO) and PPO Family benefits of 52.22% and 52.11%, respectively.

The Sapoznik Insurance 2005 Proposed Health Care Plans Premium Contributions Structure and the UnitedHealthcare (UHC) provided 2005 premiums are hereto attached as Exhibit "B".

The Department of Budget and Finance reports that if 2005 Plan Year claims run at the Maximum Liability level, the cost associated with said claims (assuming a subscriber census similar to that of November 2004) will be \$572,667 above the Sapoznik proposed funding level.

The Department of Budget and Finance also reports that sufficient funds exist in the Health Plan Reserve to cover this potential shortfall for the 2005 Plan Year. According to the latest reserve report from the Department of Budget and Finance the Health Care Reserve balance at the end of Fiscal Year 2004 is \$1.293 million dollars.

Historically, the Town's health care plan claims have run between the Expected Claims and the Maximum Liability levels.

The table below conveys the aforementioned claim liability information.

	Claims at Maximum Liability	Expected Claims
Proposed Generated Premiums	\$5,970,182	\$5,970,182
Claims & Administration Fees	<u>6,542,849</u>	<u>5,385,208</u>
Net Premium	- 572,667	584,974
Health Care Reserve	<u>1,293,461</u>	<u>1,293,461</u>
Health Care Reserve Balance	\$720,794	\$1,878,435

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SUBJECT: A Resolution of the Town of Davie, Florida, authorizing funding group medical and employee assistance program (EAP) benefits at a level less than the Maximum Liability level; providing for Severability; and providing an effective date.

PREVIOUS ACTIONS: On May 15, 2002, Town Council adopted Resolution No. R-2002-119

CONCURRENCES: Not Applicable

FISCAL IMPACT:

Has request been budgeted? Yes (for FY04/05)

Account Name: Employee Salary and Benefits Accounts

RECOMMENDATIONS: This Resolution is submitted for Town Council consideration.

Attachment(s):

- Resolution
- Exhibits "A" - Resolution No. R-2002-119 (without attachment)
- Exhibits "B" - Sapoznik and UHC 2005 Proposed Health Care Plans Premium Contributions Structures

c: Christopher Kovanes, Interim Town Administrator
Ken Cohen, Assistant Town Administrator

Russell Muniz, Town Clerk

MA:ma

0202-R -2005 HealthPlanFunding.002(cm02/02/05)

Health Insurance Reserve as of 2002¹**\$800,000.00****Fiscal 2002 - July through September²**

Total Payroll Contributions	\$813,498.24	
Amount paid for Admin ³	\$126,478.50	
Amount Available for Claims	\$687,021.74	
Total Claims Expense	\$438,060.52	
Net Expense for Health Insurance		\$247,961.22
Health Insurance Reserve as of 2002		\$1,047,961.22

**Fiscal 2003
Payroll Contributions**

Employee - EPO	\$695,996.62		
Employee - PPO	\$77,082.93		
Employer - PPO SGL		\$143,839.18	
Employer - PPO DEP		\$175,201.31	
Employer - EPO SGL		\$865,695.74	
Employer - EPO DEP		\$1,574,262.05	
	\$773,079.55	\$2,758,998.28	
	21.9%	78.1%	
Total Payroll Contributions		\$3,532,077.83	
Amount paid for Admin ³		\$711,098.48	
Amount Available for Claims		\$2,820,979.35	
Total Claims Expense		\$3,053,570.29	
Net Expense for Health Insurance			(\$232,590.94)
Health Insurance Reserve as of 2003			\$815,370.28

**Fiscal 2004
Payroll Contributions**

Employee - EPO	\$908,874.00		
Employee - PPO	\$97,643.88		
Employer - PPO SGL		\$305,019.00	
Employer - PPO DEP		\$259,375.14	
Employer - EPO SGL		\$1,144,875.30	
Employer - EPO DEP		\$2,427,852.31	
	\$1,006,517.88	\$4,137,121.75	
	19.6%	80.4%	
Total Payroll Contributions		\$5,143,439.63	
Amount paid for Admin ³		\$660,731.23	
Amount Available for Claims		\$4,482,708.40	
Total Claims Expense		\$4,004,617.48	
Net Expense for Health Insurance			\$478,090.92
Health Insurance Reserve as of 2004			\$1,293,461.20

Fiscal 2005 - November Payroll Contributions

Employee - EPO	\$188,650.64	
Employee - PPO	\$21,149.85	
Employer - PPO SGL		\$79,632.00
Employer - PPO DEP		\$58,020.30
Employer - EPO SGL		\$233,294.88
Employer - EPO DEP		\$518,012.48
	<u>\$208,800.49</u>	<u>\$888,959.66</u>
	19.1%	80.9%
Total Payroll Contributions		\$1,099,760.15
Amount paid for Admin ²		\$128,180.11
Amount Available for Claims		<u>\$971,600.04</u>
Total Claims Expense		<u>\$714,948.36</u>
Net Expense for Health Insurance		\$256,651.68
(IBNR) Incurred But Not Reported ⁴		(\$714,948.36)
FYTD Health Insurance Reserve as of 2005		\$835,164.52

¹Based upon estimate provided by Assistant Town Administrator

²Amounts Provided by Sapoznik Insurance

³Includes health insurance consulting fees

⁴Estimated IBNR based on average monthly claims for 2 months; not an actuarially prepared amount

RESOLUTION NO. _____

A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, AUTHORIZING FUNDING GROUP MEDICAL AND EMPLOYEE ASSISTANCE PROGRAM (EAP) BENEFITS AT A LEVEL LESS THAN THE MAXIMUM LIABILITY LEVEL; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Resolution No. R-2002-119 funded group medical and employee assistance program benefits at the Maximum Liability level; and

WHEREAS, Sapoznik Insurance Associates, Inc., the Town's Agent of Record for the Town's group health care plan, has proposed funding group medical and employee assistance program benefits at a level which is less than the Maximum Liability.

WHEREAS, funding group medical and employee assistance program benefits at a level which is less than the Maximum Liability will substantially reduce Employee Health Care Plan Premium Contributions.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF DAVIE, FLORIDA:

SECTION 1. The Town Council of the Town of Davie does hereby authorize funding group medical and employee assistance program benefits at a level less than the Maximum Liability level.

SECTION 2. If any section, subsection, sentence, clause, phrase, or portion of this Resolution is, for any reason, held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision and such holding shall not affect the validity of the remaining portion of the Resolution.

SECTION 3. This resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED THIS ____ DAY OF _____, 2005

MAYOR/COUNCILMEMBER

ATTEST:

TOWN CLERK

APPROVED THIS ____ DAY OF _____, 2005

Exhibit "A"

RESOLUTION NO. R-2002-119

A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, SELECTING UNITED HEALTHCARE TO PROVIDE SELF FUNDED GROUP MEDICAL BENEFITS INCLUDING A EMPLOYEE ASSISTANCE PROGRAM (EAP); AND AUTHORIZING THE HUMAN RESOURCES DIRECTOR TO EXECUTE APPROPRIATE APPLICATIONS AND CONTRACTS FOR SAID BENEFIT PLANS.

WHEREAS, the Town of Davie has solicited proposals for group medical and employee assistance program (EAP) benefits; and

WHEREAS, United Healthcare has been selected as the firm best qualified to provide group medical and employee assistance program (EAP) benefits; and

WHEREAS, it is in the Town's best interest to execute appropriate applications and contracts for said benefits.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF DAVIE, FLORIDA:

SECTION 1. The Town Council of the Town of Davie does hereby accept United Healthcare as provider of group medical and employee assistance program (EAP) benefits with plan design attached hereto as Exhibit "A" and funding at the maximum liability level utilizing the current contribution strategy.

SECTION 2. The Town Council of the Town of Davie does hereby authorize the contribution strategy for dental plan benefits to be retroactively amended to the contribution strategy in effect prior to the approval of Resolution #2002-050.

SECTION 3. The Town Council of the Town of Davie does hereby authorize the Human Resources Director to execute appropriate applications and contracts for said benefits. Pursuant to ordinance, benefits may be renewed for up to four (4) additional terms without soliciting proposals. The Town Council of the Town of Davie does hereby authorize said renewals, if appropriate, to be handled administratively by staff, subject to budgetary approval by Town Council.

SECTION 3. This resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED THIS 15th DAY OF May, 2002

MAYOR/COUNCILMEMBER

ATTEST:

TOWN CLERK

APPROVED THIS 15th DAY OF May, 2002

(Agenda Date: February 02, 2005)

Exhibit "B"

Sapoznik and UHC 2005 Proposed Health Care Plans Premium Contributions Structures

Sapoznik Insurance Associates, Inc. proposed funding the Town's group health care plan at a level which is less than the Maximum Liability level for the 2005 Plan Year. The Sapoznik Insurance Associates, Inc. Proposed Health Care Plans Premium Contributions Structure is displayed, below:

Sapoznik Insurance Associates, Inc. Proposed 2005 Health Care Plans Premium Contributions Structure			
UnitedHealthcare EPO (HMO)	Employee Cost	Town Pays	Total Cost to Town
Individual (employee)/Biweekly	\$0.00	\$183.12	\$183.12
Family (Individual+Dependents)/Biweekly	\$175.00	\$374.38	\$549.38
UnitedHealthcare PPO	Employee Cost	Town Pays	Total Cost to Town
Individual (employee)/Biweekly	\$0.00	\$276.50	\$276.50
Family (Individual+Dependents)/Biweekly	\$266.68	\$566.70	\$833.38

United Healthcare (UHC) provided premiums at the Maximum Liability level for the 2005 Plan Year which resulted in the following Premium Contribution Structure for Plan Year 2005:

Initial Proposed 2005 Health Care Plans Premium Contributions Structure at the <u>Maximum Liability</u> Level			
UnitedHealthcare EPO (HMO)	Employee Cost	Town Pays	Total Cost to Town
Individual (employee)/Biweekly	\$0.00	\$206.79	\$206.79
Family (Individual+Dependents)/Biweekly	\$206.79	\$413.58	\$620.36
UnitedHealthcare PPO	Employee Cost	Town Pays	Total Cost to Town
Individual (employee)/Biweekly	\$0.00	\$312.22	\$312.22
Family (Individual+Dependents)/Biweekly	\$314.41	\$626.64	\$941.05